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FM AMEMBASSY TUNIS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6141
INFO RUCNMGH/MAGHREB COLLECTIVE IMMEDIATE
RUEHAB/AMEMBASSY ABIDJAN IMMEDIATE 0041
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L TUNIS 000191

SIPDIS

DEPT FOR NEA/FO - HUDSON; NEA/MAG; NEA/SCA/EX
DEPT ALSO FOR A/OPR/OS - CAMERON
TREASURY FOR IA/MDB - MORRIS

E.O. 12958: DECL: 03/31/2019
TAGS: [ASCH](#) [PREL](#) [AFDB](#) [AMGT](#) [PGOV](#) [TS](#)
SUBJECT: NEW FINANCIAL PRESSURES THREATEN AMERICAN SCHOOL
FURTHER

REF: TUNIS 182

Classified By: Ambassador Robert F. Godec, Reason 1.5 (b) and (d)

¶1. (C) Summary: The American Cooperative School of Tunis' (ACST) US bank has frozen \$2 million of its funds to ensure that ACST does not default on its construction loan. The freeze could bring about the school's bankruptcy before the end of the academic year. The Ministry of Public Property and Real Estate Affairs has sent ACST a letter seeking to renegotiate its lease. The school sits on government land. The Ministry wants to raise the rent beyond current lease provisions. The African Development Bank President spoke to the Minister of Finance but obtained no progress. He is now considering seeking an appointment with President Ben Ali. ACST and the Embassy continue to move forward on steps laid out in reftel. The school will be holding a contingency planning meeting late March 31 on a possible shutdown. End Summary

¶2. (SBU) ACST informed the Embassy March 31 that PNC Bank N.A. of New York, which manages the school's ongoing construction loan, has notified ACST that they are putting a \$2 million freeze on the school's assets held by the bank (in addition to \$800,00 already held in escrow) due to the material adverse change in the school's financial situation resulting from the Tunisian demand for taxes. The school is entering into a dialogue with PNC and OPIC, which insures the loan, and will inform us when they have more information. The bank's action could hasten the advent of bankruptcy even before the end of the academic year.

¶3. (SBU) In addition to the major tax demands reported in reftel, ACST received a letter on March 31 from the Ministry of Public Property and Real Estate Affairs saying that the Ministry wants to renegotiate the school's lease by the end of the year, or else the Ministry will abrogate the current lease by invoking a one year notification clause. The school sits on government land that they have leased since 1961. The most recent lease signed in 2003 runs through 2025 and has a 5 percent increase in rent built-in each year. The stated purpose of the negotiations would be to bring the rent up to market levels. Interestingly, the letter, dated February 13, was postmarked March 19, the day the Ministry of Finance issued the final tax decree against the school reported reftel.

¶4. (C) African Development Bank (AfDB) President Donald Kaberuka spoke to both the Minister of Finance and the Minister of Development and International Cooperation on March 27 about the future of ACST. He told American Executive Director Mimi Alemayehou that he was unable to budge the Minister of Finance, who stated that ACST was

required by law to pay the taxes the Ministry of Finance has determined are due. Kaberuka is now considering whether to request a meeting with President Ben Ali on the matter. Kaberuka said that AfDB is already seeing signs of recruitment difficulties since potential new employees are hearing about the problem and are waiting to find out if a school will be available for their children. We note that Tunisia is competing to hold the annual AfDB meeting in 2010.

15. (C) In a March 31 meeting chaired by the Ambassador, school representatives said they would proceed with contingency planning in view of the possible forced closure. A meeting this evening of the board and administrators will consider the necessary contingency steps. The school plans to announce formally the possibility of closure to parents at a general meeting on April 15, with a letter informing parents of the topic to be discussed a few days before. It continues to prepare for a possible court filing. For its part, the Embassy continues to pursue meetings with senior GOT officials, interested Ambassadors, and influential local personalities in an attempt to reverse the GOT's current course of action.

Godec